

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Strategic Energy Assessment 2022

5-ES-108

**COMMENTS OF ASSOCIATED BUILDERS AND CONTRACTORS OF WISCONSIN ON THE DRAFT  
STRATEGIC ENERGY ASSESSMENT 2022**

Associated Builders and Contractors of Wisconsin (ABCofWI) appreciates the opportunity to submit comments on the Public Service Commission of Wisconsin's ("Commission") Draft Strategic Energy Assessment 2022 ("DSEA"). ABCofWI respectfully urges the Commission to address the role that transmission and generation construction competition can play to mitigate energy rate increases. Specifically, allowing all contractors regardless of union affiliation to competitively bid for construction services will help ensure that generation and transmission is being built on a least cost basis, as will be done by Wisconsin Power and Light ("WPL") in its construction of a new natural gas-fueled power plant at the Riverside Energy Center Facility ("Riverside").<sup>1</sup>

**Associated Builders and Contractors of Wisconsin**

ABCofWI (est. 1972) is the state chapter of a 21,000 member national construction trade association representing nearly every specialty within the industrial and commercial construction sector. Currently, ABCofWI is the largest chapter in the nation, with nearly 900 members, and over 1,000 apprentices being trained in a dozen skilled trades. ABCofWI is based

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<sup>1</sup> Docket No. 6680-CE-176

on the merit shop philosophy, which encourages open competition and a free enterprise approach that awards contracts based solely on merit. Specifically, ABCofWI members believe:

- Bidding on public utility construction projects should be made available to all legal residents, regardless of union affiliation;
- It is incumbent upon all branches of government to be responsible stewards of taxpayer and ratepayer dollars;
- Government and utilities should award contracts only to the lowest responsible bidder.

#### **DRAFT STRATEGIC ENERGY ASSESSMENT**

As set forth in the DSEA executive summary, “electricity rates have increased for all customer classes [in the state]. The utility industry is a capital-intensive industry, and rate increases pay for investments in transmission, generation, and distribution facilities. This investment is necessary to replace aging facilities, comply with federal regulations, and develop new renewable energy resources.” The SEA is to include an assessment regarding the extent to which *effective competition* is contributing to a reliable, *low-cost*, and environmentally-sound source of electricity for the public.<sup>2</sup>

#### **BENEFITS OF OPEN COMPETITION IN UTILITY CONSTRUCTION**

In the private sector, contractors compete on material costs, efficiency, overhead, and labor costs. The competitive construction bidding process is also the foundation of our public

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<sup>2</sup> Wis. Stat. § 196.491(2)(a)12 (*italics added* for emphasis).

construction delivery system. The competition created by this bid system is designed to protect the taxpayer in the procurement process. Likewise, competitive bidding for public utility construction can serve to protect ratepayers by helping to ensure that dollars are spent in the most cost efficient manner. “Union only” requirements for public utility construction projects do not benefit from the same level of competition.

#### **ROADMAP PROVIDED BY WISCONSIN POWER AND LIGHT IN RIVERSIDE CPCN**

WPL’s original estimate to build the new Riverside power plant was \$750 million. WPL’s original request for proposals (RFP) specified only union contractors would be considered to work on Riverside. Subsequently, WPL reissued the RFP without the “union only” language. After receiving bid responses to the new open competition RFP, WPL reduced the estimated Riverside project cost by 7% to \$700 million – a potential \$50 million savings to ratepayers even as the project’s capacity increased from 650 MW to 700 MW.

ABCOF’s expert in the Riverside docket credited these savings to WPL opening up the RFP to non-union contractors, explaining that “[t]he only way to know which firm in the marketplace can, in fact, offer the least-cost, highest value bid is to open the bidding process to the marketplace as a whole rather than to a restricted subset of firms in the market. Artificial restrictions on the competitive process can only lead to higher costs and prices for customers.”

The expert also explained that “[t]he widest possible pool of applicants will reveal which firm is most efficient and qualified to undertake the work at the least cost. Constructing the

expansion of the Riverside Energy Center facility at the lowest possible cost will ultimately generate the most benefits for [WPL] and its ratepayers.”

## **CONCLUSION**

In the absence of competition, the Commission’s obligation is to ensure that adequate and reasonably priced service is provided to utility customers. ABCofWI respectfully encourages the Commission to ensure an open bidding process when it considers future utility construction applications. Construction competition is a best practice, and when used in utility construction will help spur future action to mitigate rate increases. Effective competition in utility construction will have a positive impact on the price of infrastructure and will help ratepayers save money, as seen in the Riverside re-estimates.

Respectfully submitted,

/s/ John Mielke

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